

USDC S.
DOCUMENT
MANUALLY FILED
DATE FILED: <u>7/18/08</u>
Bond No. <u>1000789853</u>

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK  
GEMINI II LTD.,

vs.

Plaintiff(s)

DERECKTOR SHIPYARDS CONN., LLC,

UNDERTAKING ON  
TEMPORARY INJUNCTION

INDEX No. 08 CV 6334 (LAP)

Defendant(s)

WHEREAS, the Plaintiff(s) GEMINI II LTD. above named is/are about to apply or has/have applied for a Temporary Injunction in the above entitled action, restraining the Defendant(s) DERECKTOR SHIPYARDS CONN., LLC as more fully described in the court order dated July 15, 2008

NOW, THEREFORE, the U.S. SPECIALTY INSURANCE COMPANY, having an office and principal place of business for the State of New York at c/o The Hyde Agency, 321 Broadway, New York, NY 10007 does hereby, pursuant to the Statute in such case made and provided, undertake that the Plaintiff(s) will pay to the Defendant(s) DERECKTOR SHIPYARDS CONN., LLC so enjoined, such damages and costs not exceeding the sum of FIVE HUNDRED THOUSAND AND NO/100 Dollars (\$ 500,000-----), as DERECKTOR SHIPYARDS CONN., LLC may sustain by reason of the injunction, if the Court shall finally decide that the Plaintiff(s) is/are not entitled thereto; such damages and costs to be ascertained by a reference, or otherwise as the Court shall direct.

Dated July 17, 2008

CGB25501NY1099f

7/18/08  
Approved 3:00pm  
J. Michael McManam  
Clay  
B. M. 2  
D. Hall

U.S. SPECIALTY INSURANCE COMPANY  
By David J. Smith  
Attorney-in-Fact

**ACKNOWLEDGMENT OF SURETY**

**STATE OF NEW YORK }  
COUNTY OF NEW YORK } ss:**

On the 17th day of July in year 2008 before me personally came  
David J. Smith to me known, who being by me duly sworn, did  
depose and say that he/she resides at New York, NY,  
that he/she is the Attorney-in-Fact of U.S. SPECIALTY INSURANCE COMPANY, the  
corporation described in and which executed the above instrument; that he/she knows the corporate seal of said  
corporation, that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the  
Board of Directors of said corporation, and, that he/she signed his/her name thereto by like order; and that said  
corporation is duly authorized to transact business in the State of New York in pursuance of the statutes of such  
case made and provided, that the Superintendent of insurance of the State of New York, has, pursuant to Chapter  
28 of the Consolidated Laws of the State of New York, known as the Insurance Law, issued to  
U.S. SPECIALTY INSURANCE COMPANY

a Certificate of Solvency and qualification to become surety or guarantor on all bonds, undertakings,  
recognizances, guaranties and other obligations required or permitted by law and that such certificate has not been  
evoked.

  
\_\_\_\_\_  
Notary Public

KAREN McMULLIN  
Notary Public, State of New York  
No. 01MC2634575  
Qualified in Queens County  
Certificate Filed in New York County  
Commission Expires March 30, 2011

**POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U.S. SPECIALTY INSURANCE COMPANY)

**Know All Men by These Presents** That, U.S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

David J. Smith of New York, New York

its true and lawful Attorney(s)-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed ~~\*\*\*\*\*One Million\*\*\*\*\*~~ Dollars (\$ ~~\*\*\*\*\*1,000,000.00\*\*\*\*\*~~) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming all that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

*Be it Resolved*, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

*Be it Resolved*, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

**In Witness Whereof**, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its Vice President, and its corporate seal to be hereto affixed this 4th day of October, 2007.

Corporate Seal

**U.S. SPECIALTY INSURANCE COMPANY**

By

Leon B. Back, Jr., Vice President

State of California

County of Los Angeles ss:

On this 4th day of October, 2007 before me personally came Leon B. Back, Jr., to me known, who, being by me duly sworn, did depose and say, that he resides in Los Angeles, California, that he is Vice President of U.S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the Company; and that he signed his name thereto by like order.

Notary Seal

Rochelle A. Hill, Notary PublicMy commission expires 1-3-10

I, Jeannie Kim, Assistant Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

**In Witness Whereof**, I have hereunto set my hand and affixed the seal of said Company at Los Angeles, California this 17 day of July, 2009.

Corporate Seal

Jeannie Kim, Assistant SecretaryBond No. 1000Agency No. #11523

**U.S. SPECIALTY INSURANCE COMPANY  
STATUTORY STATEMENT OF ADMITTED ASSETS,  
LIABILITIES, CAPITAL AND SURPLUS (7)**  
December 31, 2007

<b>Admitted Assets</b>		<b>Liabilities and Capital and Surplus</b>	
<b>Investments:</b>		<b>Liabilities:</b>	
Fixed Maturities, at amortized cost	769,791,626	Unpaid loss and loss adjustment expense	406,937,352
Common Stocks, at fair value	10,488,409	Contingent commissions payable	53,513
Other invested assets	9,336,513	Accrued expenses	3,436,263
Cash and short term investments	17,983,926	Taxes, licenses, and fees	4,110,838
<i>Total cash and invested assets:</i>	<u>807,280,476</u>	Federal and foreign income taxes payable	2,726,237
		Unearned premiums	191,632,411
		Ceded reinsurance balance payable	50,383,673
		Funds held under reinsurance treaties	4,338,015
		Amounts withheld or retained for others	303,892
		Provision for reinsurance	3,988,404
		Payable to parent, subsidiaries and affiliates	342,337
		Deferred ceding commissions	189,688
		<i>Total Liabilities</i>	<u>688,450,823</u>
<b>Capital and Surplus:</b>		<b>Capital and Surplus:</b>	
		Capital Stock	4,000,000
		Additional paid-in and contributed capital	112,064,631
		Unassigned surplus	160,998,892
			<u>277,063,723</u>
<i>Total admitted assets</i>	<u>945,514,546</u>	<i>Total Liabilities and capital and surplus</i>	<u>945,514,546</u>

(7) - In accordance with the statutory financial statements as filed on March 1, 2008.

I, Stephen P. MacDonough, Chief Financial Officer of U.S. Specialty Insurance Company, hereby certify that to the best of my knowledge and belief, the foregoing is a full and true Statutory Statement of Admitted Assets, Liabilities and Capital and Surplus of the Company as of December 31, 2007, prepared in conformity with accounting practices prescribed or permitted by the Texas Department of Insurance. The foregoing statement should not be taken as a complete statement of financial condition of the Company. Such a statement is available upon written request at the Company's home office located at 13403 Northwest Freeway, Houston, Texas 77040.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Corporation at Houston, Texas.

*Stephen P. MacDonough*  
Stephen P. MacDonough  
Chief Financial Officer

**CERTIFICATE OF SOLVENCY UNDER SECTION 1111 OF THE NEW YORK  
INSURANCE LAW**

STATE OF NEW YORK  
INSURANCE DEPARTMENT

It is hereby certified that

**U.S. SPECIALTY INSURANCE COMPANY  
of Houston, Texas**

a corporation organized under the laws of the State of Texas, and duly authorized to transact the business of insurance in this State, is qualified to become surety or guarantor on all bonds, undertakings, recognizances, guaranties and other obligations required or permitted by law; and that the said corporation is possessed of a capital and surplus including gross paid-in and contributed surplus and unassigned funds (surplus) aggregating the sum of \$277,063,723. (Capital \$4,000,000) as shown by its sworn financial statement for the year ended December 31, 2007 on file in this Department, prior to audit.

The said corporation cannot lawfully expose itself to loss on any one risk or hazard to an amount exceeding 10% of its surplus to policyholders, unless it shall be protected in excess of that amount in the manner provided in Section 4118 of the Insurance Law of this State.



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Albany, this 4<sup>th</sup> day of April, 2008.

Eric R. Dinallo  
Superintendent of Insurance

By *Clark J. Williams*

Clark J. Williams  
Special Deputy Superintendent